

Message Text

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ACTION EUR-25

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SS-20 NSC-07 H-03 FRB-03 SAM-01 INT-08 SCI-06 FEAE-00

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USLO PEKING

C O N F I D E N T I A L USNATO 5040

E.O. 11652: GDS

TAGS: ECON, CH, NATO

SUBJECT: ECONADS: REPORT ON ECONOMY OF THE PRC

REF: A) USNATO 4936; B) STATE 192368

1. UK DEL HAS JUST DISTRIBUTED LETTER TO MEMBERS OF ECONOMIC COMMITTEE

WITH FOLLOWING COMMENTS ON SUBJECT REPORT (AC/127-WP/404).

2. QUOTE.

AS REQUESTED AT THE ECONOMIC COMMITTEE MEETING ON 12 SEPTEMBER,
I AM FORWARDING SOME DETAILED COMMENTS FROM MY AUTHORITIES ON AC/127-
WP/404 (ECONOMIC SITUATION IN THE PEOPLES REPUBLIC OF CHINA IN 1973).
THEY ARE AS FOLLOWS:

PARA 2

IT IS SUGGESTED THAT THE FOLLOWING REFERENCE TOIL BE INSERTED
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AT THE END: " - CHINESE CLAIMS THAT CRUDE OIL PRODUCTION WAS MORE THAN

50 MILLION TONS, MUCH HIGHER THAN MOST PREVIOUSLY HELD WESTERN
ESTIMATES

(OF AROUND 35-40 MILLION TONS)".

PARA 5

LINE 4: PRESENT INDICATIONS ARE THAT GRAIN IMPORTS IN 1974
WILL BE AT LEAST 9.6 MILLION TONS AND COULD REACH 11 MILLION TONS.

LINE 6: GRAIN OUTPUT HAS REMAINED APPROXIMATELY STABLE FOR
SEVERAL YEARS DUE TO ADVERSE WEATHER CONDITIONS RATHER THAN THE
INEFFECTIVENESS OF AGRICULTURAL IMPROVEMENTS. IF THE WEATHER HAD
BEEN MORE FAVOURABLE GRAIN OUTPUT COULD HAVE INCREASED CONSIDERABLY.

LINE 9: IN 1973 THE WHEAT HARVEST WAS 30-35 MILLION TONS
WHICH CONSTITUTED 12-14 PCT OF THE TOTAL HARVEST ACCORDING TO OUR
ESTIMATE.

LINE 10: THE AVERAGE GROWTH RATE OF POPULATION IS 1.9-2 PCT PER
ANNUM WHICH IMPLIES AN ANNUAL INCREASE OF ABOUT 17.5-18 MILLION.

LINE 15: HARVEST REPORTS INDICATE THAT THE 1974 GRAIN HARVEST
COULD AGAIN BE POOR AND THEREFORE IT SEEMS LIKELY THAT THE INCREASED
IMPORTS WILL ONLY BE SUFFICIENT TO KEEP GRAIN RATIONS AT THEIR
PRESENT LEVEL AND THAT THERE WILL BE LITTLE EXCESS TO MAKE UP THE
LOW RESERVES.

PARA 6

WHILE WE AGREE THAT THERE WAS A DEFICIT IN CHINA'S VISIBLE
TRADE AND RESORT WAS MADE TO SHORT AND MEDIUM TERM CREDIT FOR
INCREASED IMPORTS OF GRAIN AND MACHINERY, IT DOES NOT NECESSARY
FOLLOW THAT THE DEFICIT WAS LARGER THAN THE INVISIBLE EARNINGS.
HOWEVER, THERE ARE CLEARLY ADVANTAGES IN RESORTING TO CREDIT EVEN
WHEN IT IS POSSIBLE TO PAY CASH AS THIS CAN FACILITATE THE CASH
FLOW SITUATION AND MAKE FOR GREATER FLEXIBILITY IN TRADE AND PAYMENTS.

LINE 8: WE AGREE THAT THE US ESTIMATE OF GOLD AND FOREIGN
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EXCHANGE RESERVES (\$2,600 MILLION) IS A CLOSER APPROXIMATION TO THE
PRESENT POSITION THAN THE FIGURE OF \$1,500 MILLION. WE HAVE NOW
UPDATED OUR EARLIER ESTIMATE WHICH RELATED TO 1973 AND WAS BASED
ON 1973 GOLD PRICES. THE SITUATION IS COMPLICATED BY THE DIFFICULTY
IN ESTIMATING INTERNAL GOLD PRODUCTION.

PARA 7

LINE 14: IN 1973 CHINA SOLD 1 MILLION TONS OF CRUDE OIL TO
JAPAN, THIS WAS IN ADDITION TO HER SALES OF OIL PRODUCTS TO NORTH
VIETNAM AND NORTH KOREA (THOUGHT TO TOTAL BETWEEN 750,000 AND
1,000,000 TONS). THE TOTAL WAS THEREFORE AROUND 2 MILLION TONS
RATHER THAN THREE. THIS YEAR SHE HAS ALREADY AGREED TO SELL JAPAN
AT LEAST 2 1/2 MILLION TONS OF CRUDE OIL AND IT SEEMS LIKELY THAT THE

TOTAL SOLD TO JAPAN THIS YEAR WILL REACH 4 MILLIONS TONS. THE TOTAL IS THEREFORE LIKELY TO BE AT LEAST 5 MILLION TONS IN 1974 (NOT 1975). IT IS TOO EARLY AS YET TO PREDICT WHAT THE 1975 FIGURE WILL BE.

LINE 21: OUTPUT COULD REACH BETWEEN 150 AND 200 MILLION TONS BY 1980 (THIS ASSUMES A CONTINUING ANNUAL INCREASE OF BETWEEN 20PCT AND 25PCT). UNQUOTE.

3. WOULD APPRECIATE DEPARTMENT'S COMMENTS ON UK VIEWS.
MCAULIFFE

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